



Senate

General Assembly

File No. 583

January Session, 2013

Substitute Senate Bill No. 1055

Senate, April 22, 2013

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE ORDER OF TAX CREDITS FOR THE INSURANCE PREMIUMS TAX, A CONSOLIDATION OF TAX CREDITS FOR LAND DONATIONS, AMENDMENTS TO THE ENTERTAINMENT INDUSTRY INFRASTRUCTURE AND THE JOB EXPANSION TAX CREDITS, A STUDY OF THE INCOME TAX AND THE REPEAL OF CERTAIN TAX CREDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage and applicable to calendar years*
2 *commencing on and after January 1, 2013*) (a) Whenever a company
3 subject to tax under the provisions of chapter 207 of the general
4 statutes is eligible to claim more than one tax credit, the credits shall be
5 claimed for the calendar year in the following order:

6 (1) Any credit that may be carried backward to a preceding calendar
7 year or years shall first be claimed (A) with any credit carry-back that
8 will expire first being claimed prior to any credit carry-back that will
9 expire later or will not expire at all, and (B) if the credit carry-backs
10 will expire at the same time, in the order in which the company may

11 receive the maximum benefit;

12 (2) Any credit that may not be carried backward to a preceding
13 calendar year or years and that may not be carried forward to a
14 succeeding calendar year or years shall next be claimed, in the order in
15 which the company may receive the maximum benefit; and

16 (3) Any credit that may be carried forward to a succeeding calendar
17 year or years shall next be claimed (A) with any credit carry-forward
18 that will expire first being claimed prior to any credit carry-forward
19 that will expire later or will not expire at all, and (B) if the credit carry-
20 forwards will expire at the same time, in the order in which the
21 company may receive the maximum benefit.

22 (b) In no event shall any credit be claimed more than once.

23 Sec. 2. Section 12-217dd of the general statutes is repealed and the
24 following is substituted in lieu thereof (*Effective July 1, 2013, and*
25 *applicable to income years commencing on or after January 1, 2013*):

26 (a) For purposes of this section: [, "donation]

27 (1) "Donation of open space land" means the value of any land or
28 interest in land conveyed without financial consideration, or the value
29 of any discount of the sale price in any sale of land or interest in land,
30 to the state, a political subdivision of the state, a water company, as
31 defined in section 25-32a, or to any nonprofit land conservation
32 organization where such land is to be permanently preserved as
33 protected open space or used as a public water supply source.

34 (2) "Donation of land for educational use" means the value of any
35 land or interest in land conveyed without financial consideration, or
36 the value of any discount of the sale price in any sale of land or interest
37 in land, to any town, city or borough, whether consolidated or
38 unconsolidated, or any school district or regional school district for
39 educational use, as defined in section 16-43b.

40 (b) There shall be allowed a credit for all taxpayers against the tax

41 imposed under [section 12-217] this chapter, in an amount equal to
42 fifty per cent of any donation of open space land [or as a public water
43 supply source] and fifty per cent of any donation of land for
44 educational use. For purposes of calculating the credit under this
45 section, the amount of donation shall be based on the use value of the
46 donated [open space] land and the amount received for such land. For
47 purposes of this subsection, "use value" means the fair market value of
48 land at its highest and best use, as determined by a certified real estate
49 appraiser.

50 (c) A credit for the donation of open space land that is allowed
51 under this section [,] with respect to any taxable year commencing on
52 or after January 1, 2000, but is not used by a taxpayer, may be carried
53 forward to each of the successive income years until such credit is fully
54 taken, [In] but in no case shall a credit that is not used be carried
55 forward for a period of more than twenty-five years. A credit for the
56 donation of land for educational use that is allowed under this section
57 with respect to any taxable year commencing on or after January 1,
58 2013, but is not used by a taxpayer, may be carried forward to each of
59 the successive income years until such credit is fully taken, but in no
60 case shall a credit that is not used be carried forward for a period of
61 more than twenty-five years.

62 Sec. 3. Section 12-217ff of the general statutes is repealed and the
63 following is substituted in lieu thereof (*Effective July 1, 2013, and*
64 *applicable to income years commencing on or after January 1, 2013*):

65 (a) For purposes of this section, "donation of land for educational
66 use" means the value of any land or interest in land conveyed without
67 financial consideration, or the value of any discount of the sale price in
68 any sale of land or interest in land, to any municipality or political
69 subdivision of the state for educational use, as defined in section 16-
70 43b.

71 (b) There shall be allowed a credit for all taxpayers against the tax
72 imposed under section 12-217, in an amount equal to fifty per cent of
73 any donation of land for educational use. For purposes of calculating

74 the credit under this section the amount of donation shall be based on
75 the difference between the use value of the donated land and the
76 amount received for such land. For the purposes of this subsection,
77 "use value" means a fair market value of land at its highest and best
78 use, as determined by a certified real estate appraiser.

79 (c) A credit that is allowed under this section, with respect to any
80 taxable year commencing on or after January 1, 2004, but is not used by
81 a taxpayer may be carried forward to each of the successive income
82 years until such credit is fully taken. In no case shall a credit that is not
83 used be carried forward for a period of more than fifteen years.

84 (d) No tax credit shall be allowed under this section with respect to
85 any donation of land for educational use made on or after January 1,
86 2013.

87 Sec. 4. Subdivision (3) of subsection (b) of section 12-217kk of the
88 general statutes is repealed and the following is substituted in lieu
89 thereof (*Effective from passage*):

90 (3) Any credit allowed pursuant to this section may be sold,
91 assigned or otherwise transferred, in whole or in part, to one or more
92 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
93 whole or in part, such credit. [Any taxpayer holding such credit may
94 claim such credit only for the income year in which expenditures were
95 made by the taxpayer for the infrastructure project.]

96 Sec. 5. Subsections (e) and (f) of section 12-217pp of the general
97 statutes are repealed and the following is substituted in lieu thereof
98 (*Effective July 1, 2013*):

99 (e) (1) To be eligible to claim the credit, a taxpayer shall apply to the
100 commissioner in accordance with the provisions of this section. The
101 application shall be on a form provided by the commissioner and shall
102 contain sufficient information as required by the commissioner,
103 including, but not limited to, the activities that the taxpayer primarily
104 engages in, the North American Industrial Classification System code

105 of the taxpayer, the current number of employees employed by the
106 taxpayer as of the application date, and if applicable, the name and
107 position or job title of the new, qualifying or veteran employee. The
108 commissioner shall consult with the Labor Commissioner, the
109 Commissioner of Rehabilitation Services or the Commissioner of
110 Veterans' Affairs, Mental Health and Addiction Services or
111 Developmental Services, as applicable, for any verification the
112 commissioner deems necessary of unemployment compensation or
113 vocational rehabilitation services received by a qualifying employee, or
114 of service in the armed forces of the United States by a veteran
115 employee. The commissioner may impose a fee for such application as
116 the commissioner deems appropriate.

117 (2) (A) Upon receipt of an application, the commissioner shall
118 render a decision, in writing, on each completed application not later
119 than thirty days after the date of its receipt by the commissioner. If the
120 commissioner approves such application, the commissioner shall issue
121 a certification letter to the taxpayer indicating that the credit will be
122 available to be claimed by the taxpayer if the taxpayer and new,
123 qualifying or veteran employee otherwise meets the requirements of
124 this section.

125 (B) On and after January 1, 2014, the commissioner shall render a
126 decision upon such completed applications and, if approved, issue
127 such certification letters, as provided in subparagraph (A) of this
128 subdivision, that pertain to qualifying or veteran employees who meet
129 the requirements of this section, and with respect to whom credits
130 pursuant to this section have previously been granted. The
131 commissioner may, in his or her discretion, render a decision upon
132 applications that pertain to new employees, with respect to whom
133 credits pursuant to this section have previously been granted, when
134 such applications are consistent with the economic development
135 priorities of the state.

136 (f) (1) The total amount of credits granted under this section and
137 sections 12-217ii, 12-217nn and 12-217oo shall not exceed twenty

138 million dollars in any one fiscal year or forty million dollars over the
139 duration of the job expansion tax credit program, including the two
140 immediately succeeding income years after such credits are granted.

141 (2) If a taxpayer was issued an eligibility certificate by the
142 commissioner prior to January 1, 2012, to receive a jobs creation tax
143 credit pursuant to section 12-217ii, the provisions of the tax credit
144 program pursuant to said section 12-217ii shall apply to such taxpayer
145 for the duration of the eligibility certificate.

146 (3) If a taxpayer is issued a certification letter by the commissioner
147 prior to January 1, 2013, to receive a qualified small business job
148 creation tax credit pursuant to section 12-217nn, the provisions of the
149 tax credit program pursuant to said section 12-217nn shall apply to
150 such taxpayer for the duration of such certification.

151 (4) If a taxpayer was issued a certification letter by the commissioner
152 prior to January 1, 2012, to receive a vocational rehabilitation job
153 creation tax credit pursuant to section 12-217oo, the provisions of the
154 tax credit program pursuant to said section 12-217oo shall apply to
155 such taxpayer for the duration of such certification.

156 Sec. 6. (*Effective from passage*) (a) The Commissioner of Revenue
157 Services shall conduct a study of the personal income tax structure to
158 consider the impact upon taxpayers, by state tax filing status, of the
159 various tax rates and credits established pursuant to chapter 229 of the
160 general statutes. Such study shall include (1) an analysis of the taxes
161 and credits based on adjusted gross income imposed on each group of
162 taxpayers at the same or equivalent income level, and whether such
163 taxes and credits are the same or equivalent, (2) a comparison of the
164 effect of basing the state personal income tax on federal adjusted gross
165 income versus federal taxable income, and (3) consideration of how
166 such tax rates and credits might be restructured to ensure that tax
167 liability is shared equitably among all taxpayers, while maintaining the
168 current state revenue levels.

169 (b) On or before January 15, 2014, the commissioner shall report, in

170 accordance with the provisions of section 11-4a of the general statutes,
171 to the joint standing committee of the General Assembly having
172 cognizance of matters relating to finance, revenue and bonding on the
173 results of the study required pursuant to subsection (a) of this section.
174 Such report shall include suggestions for legislative changes, if such
175 are found to be necessary to ensure an equitable personal income tax
176 structure.

177 Sec. 7. Subsection (h) of section 12-217n of the general statutes is
178 repealed and the following is substituted in lieu thereof (*Effective July*
179 *1, 2013*):

180 (h) Any taxpayer, or in the case of a combined return, any combined
181 group of taxpayers, that claims a credit under section 12-217j for any
182 income year shall reduce the amount of research and development
183 expenses that otherwise may be taken into account in computing the
184 allowable credit under subsection (c) of this section for such income
185 year by the amount of excess research and experimental expenditures,
186 as computed under said section 12-217j, for which the credit
187 thereunder is given. [Any taxpayer, or in the case of a combined
188 return, any combined group of taxpayers, that claims a credit under
189 section 12-217l for any income year shall reduce the amount of
190 research and development expenses that otherwise may be taken into
191 account in computing the allowable credit under subsection (c) of this
192 section for such income year by the amount of excess grants to
193 institutions of higher education in Connecticut, as computed under
194 said section 12-217l, for which the credit thereunder is given.]

195 Sec. 8. Subsection (a) of section 16-245l of the general statutes is
196 repealed and the following is substituted in lieu thereof (*Effective July*
197 *1, 2013*):

198 (a) The Public Utilities Regulatory Authority shall establish and
199 each electric distribution company shall collect a systems benefits
200 charge to be imposed against all end use customers of each electric
201 distribution company beginning January 1, 2000. The authority shall
202 hold a hearing that shall be conducted as a contested case in

203 accordance with chapter 54 to establish the amount of the systems
204 benefits charge. The authority may revise the systems benefits charge
205 or any element of said charge as the need arises. The systems benefits
206 charge shall be used to fund (1) the expenses of the public education
207 outreach program developed under subsections (a), (f) and (g) of
208 section 16-244d other than expenses for authority staff, (2) the
209 reasonable and proper expenses of the education outreach consultant
210 pursuant to subsection (d) of section 16-244d, (3) the cost of hardship
211 protection measures under sections 16-262c and 16-262d and other
212 hardship protections, including, but not limited to, electric service bill
213 payment programs, funding and technical support for energy
214 assistance, fuel bank and weatherization programs and weatherization
215 services, (4) the payment program to offset tax losses described in
216 section 12-94d, (5) any sums paid to a resource recovery authority
217 pursuant to subsection (b) of section 16-243e, (6) low income
218 conservation programs approved by the Public Utilities Regulatory
219 Authority, (7) displaced worker protection costs, (8) unfunded storage
220 and disposal costs for spent nuclear fuel generated before January 1,
221 2000, approved by the appropriate regulatory agencies, (9)
222 postretirement safe shutdown and site protection costs that are
223 incurred in preparation for decommissioning, (10) decommissioning
224 fund contributions, (11) the costs of temporary electric generation
225 facilities incurred pursuant to section 16-19ss, (12) operating expenses
226 for the Connecticut Energy Advisory Board, (13) costs associated with
227 the Connecticut electric efficiency partner program established
228 pursuant to section 16-243v, (14) reinvestments and investments in
229 energy efficiency programs and technologies pursuant to section 16a-
230 38l, costs associated with the electricity conservation incentive
231 program established pursuant to section 119 of public act 07-242, and
232 (15) legal, appraisal and purchase costs of a conservation or land use
233 restriction and other related costs as the authority in its discretion
234 deems appropriate, incurred by a municipality on or before January 1,
235 2000, to ensure the environmental, recreational and scenic preservation
236 of any reservoir located within this state created by a pump storage
237 hydroelectric generating facility. As used in this subsection, "displaced

238 worker protection costs" means the reasonable costs incurred, prior to
239 January 1, 2008, (A) by an electric supplier, exempt wholesale
240 generator, electric company, an operator of a nuclear power generating
241 facility in this state or a generation entity or affiliate arising from the
242 dislocation of any employee other than an officer, provided such
243 dislocation is a result of (i) restructuring of the electric generation
244 market and such dislocation occurs on or after July 1, 1998, or (ii) the
245 closing of a Title IV source or an exempt wholesale generator, as
246 defined in 15 USC 79z-5a, on or after January 1, 2004, as a result of
247 such source's failure to meet requirements imposed as a result of
248 sections 22a-197 and 22a-198 and this section or those Regulations of
249 Connecticut State Agencies adopted by the Department of Energy and
250 Environmental Protection, as amended from time to time, in
251 accordance with Executive Order Number 19, issued on May 17, 2000,
252 and provided further such costs result from either the execution of
253 agreements reached through collective bargaining for union
254 employees or from the company's or entity's or affiliate's programs
255 and policies for nonunion employees, and (B) by an electric
256 distribution company or an exempt wholesale generator arising from
257 the retraining of a former employee of an unaffiliated exempt
258 wholesale generator, which employee was involuntarily dislocated on
259 or after January 1, 2004, from such wholesale generator, except for
260 cause. "Displaced worker protection costs" includes costs incurred or
261 projected for severance, retraining, early retirement, outplacement,
262 coverage for surviving spouse insurance benefits and related expenses.
263 ["Displaced worker protection costs" does not include those costs
264 included in determining a tax credit pursuant to section 12-217bb.]

265 Sec. 9. Sections 12-217l, 12-217y, 12-217bb and 12-217hh of the
266 general statutes are repealed. (*Effective July 1, 2013*)

<p>This act shall take effect as follows and shall amend the following sections:</p>
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Section 1	<i>from passage and applicable to calendar years commencing on and after January 1, 2013</i>	New section
Sec. 2	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217dd
Sec. 3	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217ff
Sec. 4	<i>from passage</i>	12-217kk(b)(3)
Sec. 5	<i>July 1, 2013</i>	12-217pp(e) and (f)
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>July 1, 2013</i>	12-217n(h)
Sec. 8	<i>July 1, 2013</i>	16-245l(a)
Sec. 9	<i>July 1, 2013</i>	Repealer section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Revenue Serv., Dept.	GF - Cost	Minimal	See Below
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Municipal Impact: None

Explanation

Section 1 results in a minimal revenue impact, to the extent that Insurance Companies would have claimed credits in an order other than that which is specified in the bill. This section does not impact the value of the credits, and as such the sole fiscal impact would relate to timing.

Sections 2 & 3 result in a minimal revenue impact in the out-years, to the extent that credit holders would alter the timing of claiming the credit. In the case where a credit would have expired in the absence of this provision, the state would incur a revenue loss in the out-years. These sections do not impact the value of the credits, and as such the sole fiscal impact would relate to timing.

In FY 12, two Donation of Land tax credits were taken resulting in a revenue loss of \$3,616.

Section 4 results in a minimal revenue impact, to the extent that a credit holder would shift the claiming of the credit to a year other than that in which the investment was made. In the case where a credit would have expired in the absence of this provision, the state would incur a revenue loss. This section does not impact the value of the

credits, and as such the sole fiscal impact would relate to timing.

Section 5 may result in a revenue gain to the extent the Department of Economic and Community Development (DECD) Commissioner limits Job Expansion tax credits with respect to employees for whom credits have previously been granted.

The altering of the aggregate credit cap does not impact the value of the credits as the limit remains \$40 million over the eligible period of the program, and as such the sole fiscal impact would relate to timing of credit claims.

Section 6 results in a minimal one-time cost in FY 14 to the Department of Revenue Services (DRS) to undertake a comprehensive study of various aspects of the state income tax structure.

Sections 7-9 result in a minimal revenue gain, as the current revenue loss from the credits repealed in these sections are minimal. For example, the Research & Development Grants to Institutions of Higher Education credit was claimed once in FY 12 for a total revenue loss of \$7,002, and the Displaced Workers credit was claimed twice in FY 12 for a total revenue loss of \$4,499.

The Out Years

The annualized ongoing fiscal impact identified in **Sections 1-4 and 7-9** would continue into the future subject to inflation; the fiscal impacts in **Sections 5& 6** are limited to the FY 14-FY 15 biennium.

OLR Bill Analysis**sSB 1055**

AN ACT CONCERNING THE ORDER OF TAX CREDITS FOR THE INSURANCE PREMIUMS TAX, A CONSOLIDATION OF TAX CREDITS FOR LAND DONATIONS, AMENDMENTS TO THE ENTERTAINMENT INDUSTRY INFRASTRUCTURE AND THE JOB EXPANSION TAX CREDITS, A STUDY OF THE INCOME TAX AND THE REPEAL OF CERTAIN TAX CREDITS.

SUMMARY:

This bill makes changes to several business tax credit programs. It:

1. establishes the order in which insurers must claim multiple tax credits in a calendar year;
2. extends, from 15 to 25 years, the maximum period for carrying forward the credit for donating land for educational purposes;
3. allows taxpayers to whom film infrastructure tax credits were assigned to carry them forward for up to three years;
4. allows the economic and community development commissioner to limit the period for claiming the three-year job expansion tax credits and imposes an aggregate credit cap for the years they may be claimed;
5. requires the Department of Revenue Services (DRS) commissioner to study the state's income tax structure and how its rates and credits affect different taxpayers; and
6. repeals tax credits for (a) hiring Temporary Family Assistance (TFA) recipients, (b) making research and development grants to Connecticut colleges and universities, and (c) hiring workers displaced by electrical industry and other business restructurings.

The bill also makes conforming technical changes.

EFFECTIVE DATE: Various, see below.

§ 1 — ORDER FOR CLAIMING INSURANCE PREMIUM TAX CREDITS

The bill establishes the order in which insurers must claim multiple credits in a calendar year. The order depends on whether the insurer can carry a credit backwards or forwards. The insurer must:

1. first apply the credits that it can carry backward to a preceding year, in the order in which they expire or, if more than one credit expires at the same time, in the order that gives the insurer the maximum benefit;
2. then apply credits it can neither carry backward or forward; and
3. finally, apply the credits it can carry forward, in the order in which they expire and, if more than one credit expires at the same time, in the order that gives it the maximum benefit.

A similar order applies under existing law to businesses eligible to claim more than one corporation business tax (CGS § 12-217aa).

The bill specifies that insurers cannot claim the insurance premium credit more than once.

EFFECTIVE DATE: Upon passage and applicable to calendar years beginning on and after January 1, 2013.

§§ 2-3 — TAX CREDITS FOR DONATING LAND FOR EDUCATIONAL USE

The bill extends, from 15 to 25 years, the maximum time during which taxpayers may carry forward the corporation business tax credit for donating land for educational uses. The 25-year carry forward period applies to credits for donations made in any tax year starting on or after January 1, 2013. The 15-year carry forward period continues to apply to credits for donations made during prior tax years.

By law, the credit equals 50% of the donated land's market value at its highest and best use or the value of the discounted sales price of the land or the interest in the land. Taxpayers qualify for the credit if they donate the land or sell the land or interests in it to any town, city, borough, school district, or regional school district that will use it for schools or related facilities.

The law already authorizes a 50% credit for donating land to be permanently preserved as open space or used as a public water supply source. The bill consolidates the statutes authorizing this credit and the one for donating land for educational uses.

EFFECTIVE DATE: July 1, 2013 and applicable to income years beginning on and after January 1, 2013.

§ 4 — CARRY FORWARD FOR FILM INFRASTRUCTURE INVESTMENT TAX CREDIT

The bill allows more taxpayers to claim film infrastructure tax credits over four years (i.e., carry forward). By law, parties investing in film infrastructure projects qualify for the credits, which they can claim over four years or assign (i.e., sell or transfer) to other taxpayers (i.e., assignees), who may claim them only in the tax year when the investment was made. Consequently, parties that choose to assign the credits must assign them to a taxpayer who can claim in the investment year.

The bill gives assignees the same ability to transfer credits as the original credit holders. It allows them to claim the credits during the investment year or carry them forward for up to the next three succeeding years.

EFFECTIVE DATE: Upon passage

§ 5 — JOB EXPANSION TAX (JET) CREDIT

The bill allows the Department of Economic and Community Development (DECD) commissioner to reduce the time during which businesses may claim the JET credit for hiring certain types of

employees from three years to one year.

Under current law, businesses qualify for a three-year credit based on employee criteria. The credit equals \$500 per month for each new employee who lives in Connecticut (i.e., new employee) or \$900 per month if the employee either:

1. is receiving (a) unemployment compensation benefits or has not had a full-time job since exhausting them, (b) receiving vocational rehabilitation services from the Department of Rehabilitation Services, (c) receiving employment services from the Department of Mental Health and Addiction Services, or (d) participating in employment opportunities and day services operated or funded by the Department of Developmental Services (i.e., qualifying employee) or
2. is a current armed forces member or one who was honorably discharged or released under honorable conditions from active service in the armed forces (i.e., veteran employee).

Businesses hiring such employees must annually apply to the DECD commissioner for the credit. Beginning January 1, 2014, the bill requires her to base her decision on whether to approve second- or third-year credits for new employees on whether doing so is consistent with the state's economic development priorities. She must continue basing her decision on whether to approve second- or third-year credits for qualifying and veteran employees on the current eligibility criteria.

The bill changes the cap on the JET credits. Current law imposes a \$20 million cap on these credits and those issued under two earlier job creation programs, which JET replaced after a transition period. The JET program was enacted in 2011 and sunsets on December 31, 2013. Although the commissioner's authority to grant credits ends on that date, businesses awarded credits in 2012 and 2013 may still claim them after 2013 for the full three years.

The bill changes the cap from \$20 million per year to \$40 million over the program's duration, including the full three-year period during which businesses can claim JET credits. Because JET is a three-year credit, the commissioner must apply the cap to the year she awards them and the subsequent two years during which businesses may claim them, including 2014 and 2015.

EFFECTIVE DATE: July 1, 2013

§ 6 — INCOME TAX STUDY

The bill requires the DRS commissioner to study the state's personal income tax structure and how its rates and credits affect taxpayers grouped according to their federal tax filing status.

The study must:

1. analyze the taxes and credits imposed on each group of taxpayers at the same or equivalent income levels, based on adjusted gross income, and whether taxes and credits are the same or equivalent;
2. compare the effect of basing the income tax on federal adjusted gross income versus federal net income; and
3. consider how the tax rates and credits could be restructured to require all taxpayers to pay equivalent amounts while maintaining current revenue levels.

The commissioner must report his findings by January 15, 2014, to the Finance, Revenue and Bonding Committee, along with any recommendations for legislative changes to ensure an equitable income tax structure.

EFFECTIVE DATE: Upon passage

§§ 7-8 — CONFORMING TECHNICAL CHANGES

The bill makes conforming technical changes to laws referencing tax credit programs it repeals.

EFFECTIVE DATE: July 1, 2013

§ 9 — REPEALED TAX CREDIT PROGRAMS

The bill repeals:

1. the \$125 per month tax credit for employers hiring TFA recipients for at least 30 hours per week (CGS § 12-217y),
2. the 25% tax credit for research and development grants businesses make to colleges and universities in Connecticut exceeding the three-year average of prior grants (CGS § 12-217l),
3. the \$1,500 per worker credit available to electric suppliers who hire workers displaced by electrical industry restructuring (CGS § 12-217bb), and
4. the \$1,500 credit for hiring workers whose (a) jobs were eliminated because of business restructuring in which at least 10 employees were terminated and (b) new salary is at least 75% of their previous wages or salaries (CGS § 12-217hh).

Under current law, all of these credits apply against the corporation business income tax. The credit for hiring workers displaced by business restructuring also applies to the insurance premium and utility company taxes.

EFFECTIVE DATE: July 1, 2013

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/04/2013)